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Report to the Legislature

STATE LONG-TERM OBLIGATIONS

Report on the Examination of Outstanding Balances
At June 30, 1984

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STATE OF MONTANA

Report to the Legislature

STATE LONG-TERM OBLIGATIONS

Report on the Examination of Outstanding Balances
At June 30, 1984

84-11

Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

STATE OF MONTANA

Office of the Legislative Auditor



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November 1984

STAFF LEGAL COUNSEL
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The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the examination of the outstanding
balances of the State Long-term Obligations as of June 30, 1984.

This report contains information relating to the State's Long-term
Obligations, especially its bonded debt. The report is intended to
be a resource document for legislators and other decision-makers
regarding the state's long-term obligations. Additionally, the
report contains three recommendations relating to the administra-
tion of bonded debt.

The agency written responses to the report recommendations are
included in the back of the report.

Respectfully submitted,

A handwritten signature in cursive script that appears to read "James H. Gillett".

James H. Gillett, CPA
Deputy Legislative Auditor

Approved:

A handwritten signature in cursive script that appears to read "Robert R. Ringwood".

Robert R. Ringwood
Legislative Auditor



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SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply.

	<u>Page</u>
<u>Recommendation #1</u>	
The Office of the Commissioner of Higher Education and the Department of Administration establish a central file for bonded debt information.	6
Department of Administration Response: Concur. See page 26.	
Office of the Commissioner of Higher Education Response: Concur. See page 29.	
<u>Recommendation #2</u>	
The Board of Regents of Higher Education comply with section 20-25-402, MCA, or seek clarification from the appropriate authority to determine whether the law infringes upon its constitutional powers.	7
Office of the Commissioner of Higher Education Response: Partially concur. See page 29.	
<u>Recommendation #3</u>	
The Department of Administration and Eastern Montana College implement procedures which ensure compliance with the specific bond indentures.	7
Department of Administration Response: Concur. See page 26.	
Office of the Commissioner of Higher Education Response: Concur. See page 29.	

INTRODUCTION

This report presents an overview of the historic, current, and future obligations for the bonded debt of the State of Montana. The report also contains disclosure of the state's long-term obligations which relate to leases (both capital and operating), long-term contracts, compensated leave and outstanding loans. The purpose of this report is to aid the legislature in its decision making. We thank the respective staff of the various agencies which have bonded debt, for their cooperation and assistance in preparing this report.

The 1889 Constitution, Article 13, section 2, stated the only way the State could incur debt of over \$100,000 was by vote of the majority of the electors. Article 8, section 8 of the 1972 Constitution replaced Article 13, section 2, and states that two-thirds vote of each house or a vote of the majority of electors is necessary to incur State debt with no dollar limitations.

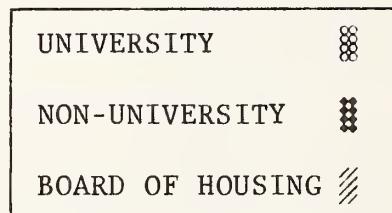
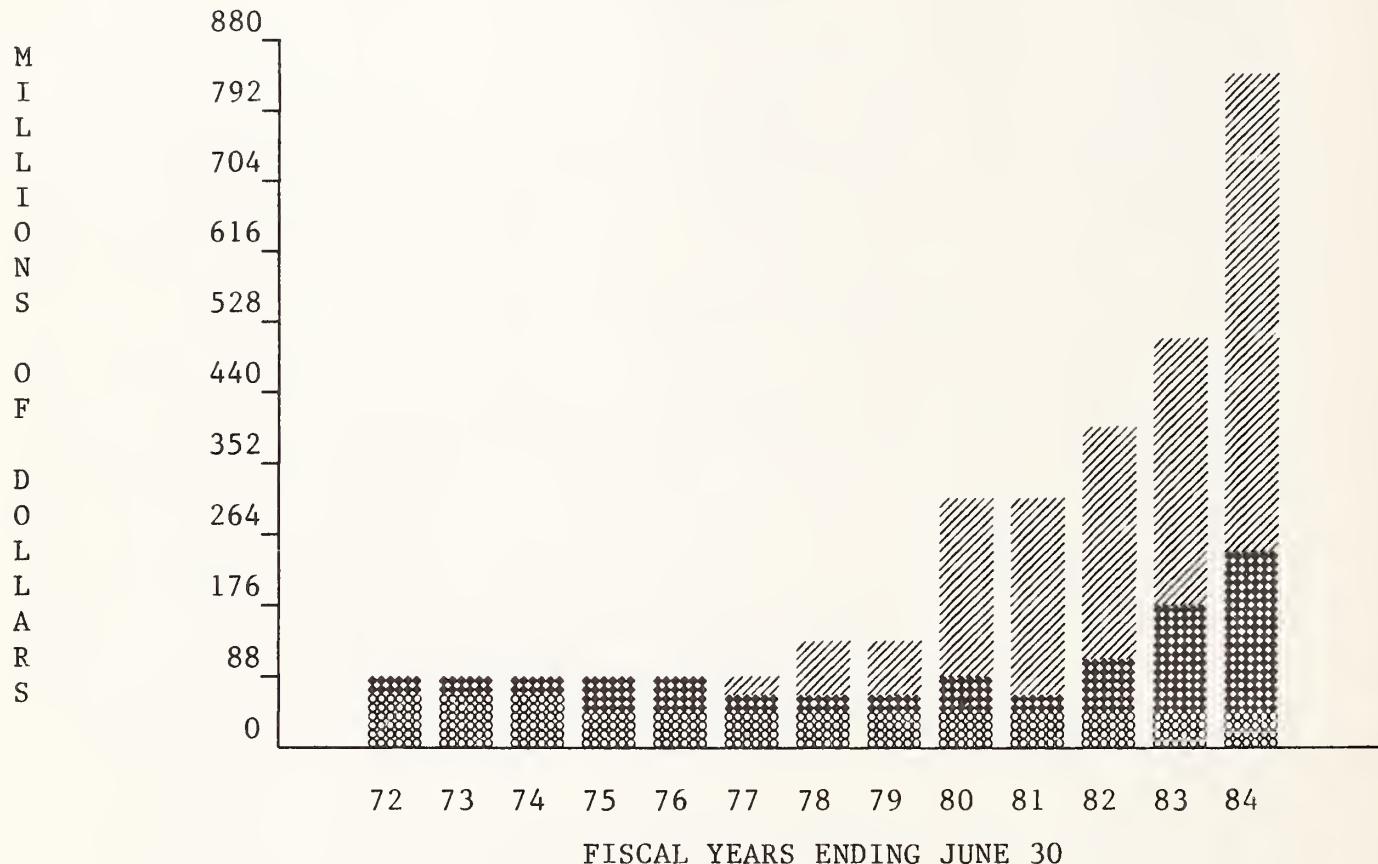
The Montana Supreme Court determined in the 1930s that university revenue bonds issued without the vote of the people did not violate Article 13, section 2 because these were not obligations of the State. The Board of Regents has the authority to issue revenue bonds to be financed by income producing facilities such as dormitories.

Illustration I is provided to show the change in bonded debt since the adoption of the 1972 Constitution. This graph summarizes the information contained in Schedule 4, pages 14 through 19.

ILLUSTRATION 1

STATE OF MONTANA

OUTSTANDING GENERAL OBLIGATION, COMBINATION, AND REVENUE BONDS*
AT JUNE 30



*Schedule 1 on page 11 discloses the bonds outstanding by type at June 30, 1984. Board of Housing bonds are all revenue bonds. Non-university bonds consist of general obligation (G.O.), combination, and revenue bonds. University bonds consist of combination and revenue bonds.

Source: Compiled by the Office of the Legislative Auditor from Schedule 4

BONDED DEBT INFORMATION

Bonding is a method of credit financing over a specified period of time. Bonds may be sold (issued) to obtain money immediately. The issued bonds are then repaid with interest. We

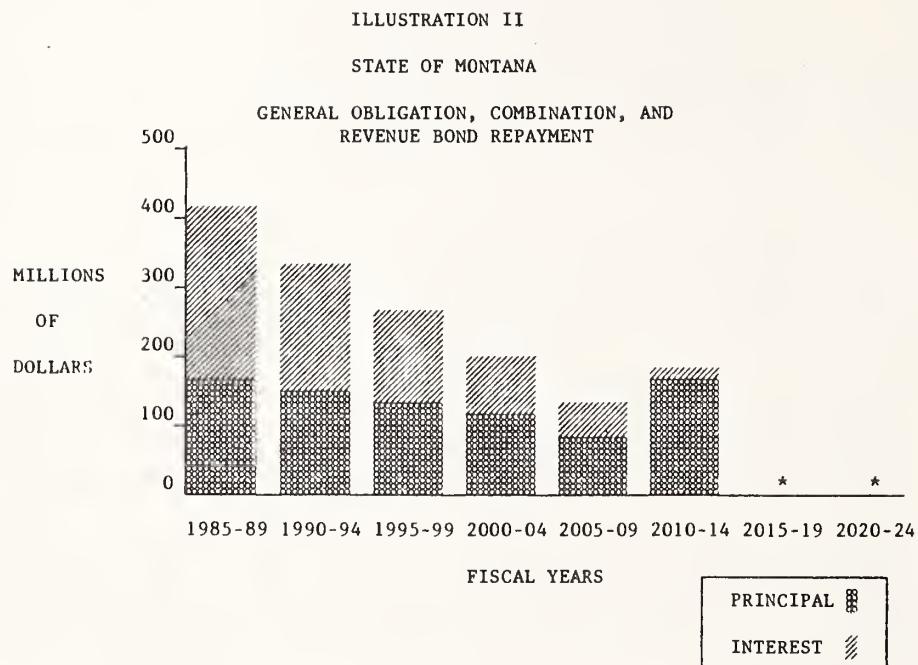
have included as Appendix A a glossary of terms relating to bonded debt for reference purposes (page 22).

Schedule 1, found on page 11, classifies the bonds authorized, issued, and outstanding by type and by agency. The types of bonds are:

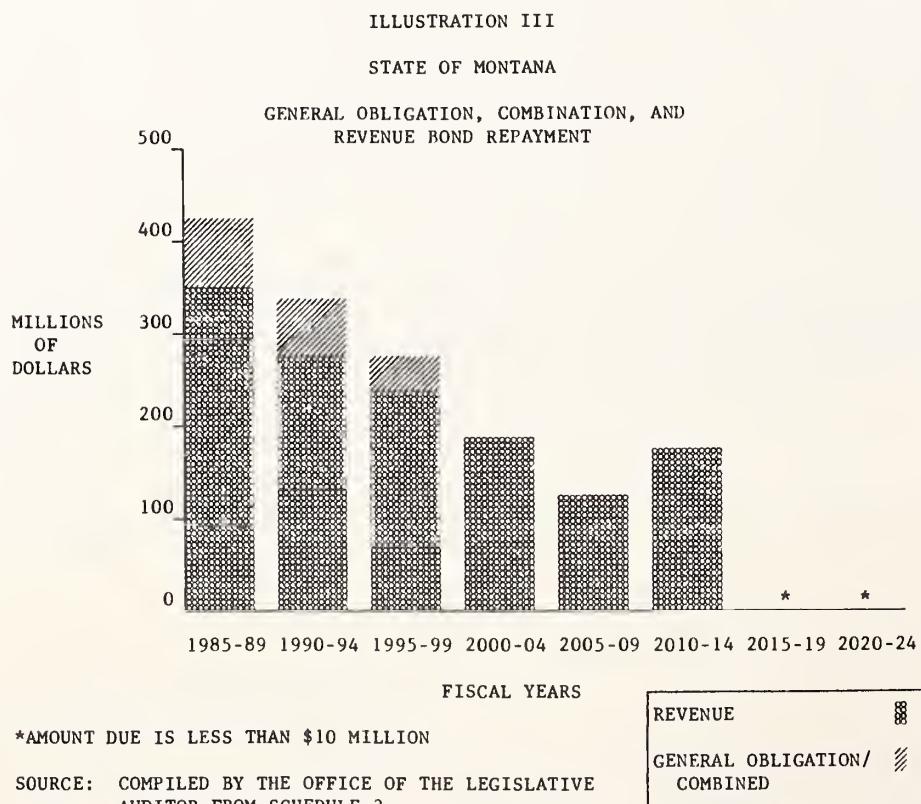
1. General Obligation Bonds - Bonds which are supported by a pledge of the full-faith and credit and taxing power of the State.
2. Combination Bonds - Bonds which are payable by a government enterprise but which are also backed by the full-faith and credit and taxing power of the State.
3. Revenue Bonds - Bonds which are payable exclusively from revenue generated from the project being financed or other revenue sources specifically earmarked for the debt retirement.

The schedule references the bond authority to the specific title, chapter, and section of the law authorizing it.

Following the Schedule of Bonds Authorized, Issued, and Outstanding at June 30, 1984 are schedules of bond interest and principal payments for: (A) fiscal years 1985, 1986, 1987, 1988, and 1989 (Schedule 2, page 12); and (B) five year increments until the entire principal has been paid (Schedule 3, page 13). These schedules are presented in order to show the future revenue required to meet present bond obligations for all types of bonds. Illustration II summarizes the information presented on Schedule 3 detailed by principal and interest. Illustration III discloses the bond repayment information from Schedule 3 by type of bond (General Obligation, Combination, and Revenue).



SOURCE: COMPILED BY THE OFFICE OF THE LEGISLATIVE AUDITOR FROM SCHEDULE 3



SOURCE: COMPILED BY THE OFFICE OF THE LEGISLATIVE AUDITOR FROM SCHEDULE 3

While preparing our report on the bonded debt of the State of Montana we not only reviewed the propriety of the bonds payable figures recorded on state's accounting records, but also determined the state's compliance with the bond indentures. During the review we noted several problems which are discussed in the following sections.

CENTRALIZED BOND INFORMATION

The State currently does not maintain a central index or file of documents supporting State bonds. There is no one location where documentation of the amount of bonds authorized, issued, or outstanding exists. This lack of documentation of bonded debt has recently been brought to the attention of state officials by this office and the Office of the Fiscal Analyst.

The Commissioner of Higher Education Office updated its files by requesting the various units of the university system to send copies of the indentures for their outstanding revenue bonds. However, in order for us to determine the amounts outstanding at June 30, 1983 and prior years, it was necessary to sort through boxes of prior audit reports. These reports were not all available nor were they separated by unit or in any order by year. To determine the amount of bonds authorized for the university units it was necessary to review the minutes of the Board of Regents from 1969 to 1984.

The Department of Administration is attempting to compile bond information for the other State agencies. The historical data available for other agencies' bonded debt is minimal and the current data is not well organized. The Department of Administration has no statutory authority to require the Commissioner of Higher Education or other agencies to centralize their bonded debt information at the department. However, agencies could retain their bonded debt information and submit to the Department of Administration copies of the relevant information to ensure the central file is complete.

A central file of information relating to bonded debt (a complete history of the bond issues which would include indentures,

anticipation notes, official statements, repayment schedules, outstanding balances, records of amounts authorized, and amounts issued from the authorization) would allow legislators and program managers ready access to information they need when making decisions on future indebtedness of the State.

RECOMMENDATION #1

WE RECOMMEND THE OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION AND THE DEPARTMENT OF ADMINISTRATION ESTABLISH A CENTRAL FILE FOR BONDED DEBT INFORMATION.

COMPLIANCE

As a result of our review of the MCAs relating to bonded debt and of the individual bond indentures, we identified a number of compliance issues. These issues are discussed in the following paragraphs.

Interest Rates for Refunding Bonds

Section 20-25-402, MCA, states the average annual interest rate of refunding bond issues must be at least 3/8 of 1 percent less than the average annual interest rate of issues that are refunded. When the Board of Regents issued the 1984 (MSU) Series and 1984A (UofM) Series bonds the interest rate on the bonds did not meet the minimum required limit. Although there has been no formal determination, the Board of Regents was advised by counsel that the legal restrictions (which were imposed before the 1972 Constitution) infringed on its constitutional powers. The Regents then decided the refunding was in the best interests of the unit and authorized the issues.

In our review of other statutes relating to refunding bonds we noted that the 1983 Legislature removed similar interest rate restrictions previously imposed under the Board of Examiners General Bonding Authority.

RECOMMENDATION #2

WE RECOMMEND THE BOARD OF REGENTS OF HIGHER EDUCATION COMPLY WITH SECTION 20-25-402, MCA, OR SEEK CLARIFICATION FROM THE APPROPRIATE AUTHORITY TO DETERMINE WHETHER THE LAW INFRINGES UPON ITS CONSTITUTIONAL POWERS.

Servicing Bonded Debt

The Department of Administration did not make the required deposits to its debt service account for 1983 Series A&B General Obligation Bonds in accordance with the indenture during 1984. The indenture requires that each month, before the 25th, 1/6 of the interest due and 1/12 of the principal due must be deposited or present in the debt service account. Although there were sufficient funds available to meet the debt service requirements, the department was not monitoring the balance on a monthly basis to ensure compliance with the indenture. The department officials indicated they have corrected this deficiency in fiscal year 1985, and monthly deposits are now made.

Eastern Montana College did not meet the bond service requirements of the indentures for the 1956 Revenue Bonds and the Series 1964 Bonds. The indentures require investments be made in direct obligations of the U.S. Government. Several investments were not made in direct obligations of the U.S. Government.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION AND EASTERN MONTANA COLLEGE IMPLEMENT PROCEDURES WHICH ENSURE COMPLIANCE WITH THE SPECIFIC BOND INDENTURES.

ACCOUNTING PROBLEMS

In addition to the compliance issues discussed in the preceding section we noted a number of accounting problems.

The Department of Administration (DofA) defeased several series of bonds. Revenues from various sources were pledged to the defeased bonds. When the bonds were defeased, DofA entered into signed agreements with various agencies to continue the payments that had been pledged to the defeased bonds. In addition, DofA entered into similar agreements with the Department of Commerce and the Department of Fish, Wildlife, and Parks for their portion of the 1983 B series bonds. As a result of these agreements, notes payable for the principal amount should be established in the long-term debt account group (LTDAG) or the plant fund as of June 30, 1984 as noted for the following agencies:

	<u>Principal Amount</u>	<u>Interest Rate (%)</u>
Department of Commerce (LTDAG)	\$ 562,403	variable
Department of Fish, Wildlife & Parks (LTDAG)	3,075,000	6.0 to 7.9
Unemployment Insurance Division Department of Labor and Industry (LTDAG)	1,072,140	7.025, 8.146
Division of Workers' Compensation Department of Labor and Industry (LTDAG)	3,170,000	8.633
Eastern Montana College (Plant Fund)	1,330,000	9.315
Montana State University (Plant Fund)	5,200,000	9.55
	<u>\$14,409,543</u>	

Currently, Montana State University (MSU) incorrectly reports the \$5,200,000 as a bonds payable in the plant fund instead of a note payable to the Department of Administration. In addition, the Department of Administration should establish a note receivable for the \$14,409,543.

Two of the university units, Montana State University, and the University of Montana, did not properly adjust their bonds payable as of June 30, 1984 for fiscal year 1984 activity. Also the University of Montana has not adjusted the state's accounting records for bonds since fiscal year-end 1982 and has misclassified "Bonds Payable" as "Accounts Payable."

The Department of Natural Resources and Conservation (DNRC) has a long-term contract payable with the federal government recorded in the State Special Revenue Fund instead of the long-term debt account group.

In addition to those problems mentioned above we noted three other instances of misclassification on the state's accounting records.

1. DNRC has four water conservation bonds classified as "Due to the Federal Government" in an agency fund and should have them classified as "Bonds Payable" in its long-term debt account group.
2. Department of Highways has \$39,075,000 of Bond Anticipation Notes classified as "Bonds Payable." These should be classified as "Notes Payable."
3. Department of Administration has \$1,321,118 in "Mortgages Payable" classified as a "Bond Payable" in its long-term debt account group.

Since these can only be resolved more effectively on an individual agency basis, we make no specific recommendations concerning these particular issues in this report.

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SCHEDULES OF STATE LONG-TERM OBLIGATIONS

DEFINITIONS OF ABBREVIATIONS

BOH	Board of Housing
BAN	Bond Anticipation Notes
DofA	Department of Administration
DNRC	Department of Natural Resources and Conservation
EMC	Eastern Montana College
ESD	Unemployment Insurance Division of the Department of Labor and Industry
FMHA	Farm Home Administration
GO	General Obligation
LRBP	Long-Range Building Program
MCA	Montana Codes Annotated
MSU	Montana State University
MCMST	Montana Tech - Montana College of Mineral Sciences and Technology
NMC	Northern Montana College
PERS	Public Employees' Retirement System
SUB	Student Union Building
UofM	University of Montana
WMC	Western Montana College

STATE OF MONTANA - BONDED DEBT
SCHEDULE OF BONDS AUTHORIZED, ISSUED, AND OUTSTANDING AT JUNE 30, 1984

<u>MCA</u>		<u>MCA Authorized</u>	<u>Indentures</u>	<u>June 30, 1984</u>	<u>Outstanding</u>	<u>Type</u>
		<u>Limits</u>	<u>Authorized</u>			
90-6-111	Department of Commerce					
	Board of Housing	\$675,000,000*	\$480,868,650	\$481,350,000 ¹	\$439,550,000	Revenue
	Capital Appreciation Bonds		9,729,579	146,495,000	146,495,000	Revenue
17-5-1506	Economic Development Bond	75,000,000*				
17-5-1606	Municipal Finance Consolidation	25,000,000*				
60-11-1103	Railroad Rehabilitation	25,000,000*				
60-11-1203	Rolling Stock	75,000,000*				
	Department of Highways					
17-5-913	1983 Series Revenue	150,000,000	150,000,000	64,000,000	64,000,000	Revenue
BAN	1983 Series			39,075,000	39,075,000	
	Department of Labor					
17-5-604	PERS #1	499,000	499,000	499,000	159,271	Revenue
17-5-614	PERS #2	1,055,928	891,000	891,000	164,759	Revenue
	Department of Natural Resources and Conservation					
85-1-301	Charlo Project	42,000	42,000	42,000	2,500	Revenue
85-1-301	Water Projects	534,600	534,600	534,600	444,941	Revenue
	Department of Administration					
17-5-301	1983 Series A Refunding		58,160,000	58,160,000		
17-5-414	1983 Series B LRBP	39,334,695 ³	39,330,000	39,330,000		
85-1-617	1983 Series C Water Development	5,000,000 ³	1,300,000	1,300,000		
	Total 1983 Series				98,790,000	GO
17-5-421	1978 Montana Tech	2,275,000	2,275,000	2,275,000	2,060,000	Combined
17-5-503	1976 Highway	7,400,000	7,400,000 ²	7,400,000	5,370,000	Combined
17-5-706	Water Development Coal Tax	250,000,000*	2,3	2,3		Revenue
90-2-127	Renewable Resources	5,000,000*				Combined
90-7-302	Health Facilities	50,000,000*				Revenue
80-12-301	Agricultural Loan Authority	200,000,000*				Revenue
	University of Montana					
20-25-402	1956 Revenue		17,399,000	17,399,000	10,779,000	Revenue
20-25-402	1984 Revenue		3,745,000	3,745,000	3,745,000	Revenue
	Montana State University					
20-25-402	1963 Revenue		3,378,000	3,378,000	2,715,000	Revenue
20-25-402	1971 Revenue		1,875,000	1,875,000	1,445,000	Revenue
20-25-402	1984 Revenue		9,000,000	9,000,000	9,000,000	Revenue
	Northern Montana College					
20-25-402	Series A B C D F G H - 1972 Revenue		3,547,000	3,547,000	2,666,500	Revenue
	Eastern Montana College					
20-25-402	1956 Asparuke Hall		330,000	330,000	142,000	Revenue
20-25-402	1964 Petro-Rimrock		4,584,000	4,584,000	2,991,000	Revenue
20-25-402	1965		1,270,000	1,270,000	175,000	Revenue
	Montana College of Mineral Sciences and Technology					
20-25-402	1958 Student Union		250,000	250,000	102,000	Revenue
20-25-402	1970 Sub and Residence, Dining		1,200,000	1,200,000	950,000	Revenue
	Western Montana College					
20-25-402	1966 Series A B C D		1,676,000	1,676,000	786,000	Revenue
20-25-402	1967 Series A B		636,000	636,000	372,000	Revenue
	TOTAL	\$1,585,564,623	\$799,919,829	\$890,241,600	\$831,979,971	

*The Legislature has established upper limits on the amount of bonds that may be authorized and issued at any point in time. Each individual issue must be authorized by the approving authority defined in the law.

¹Difference between authorized and issued is \$137,246,771 of Capital Appreciation Bonds. The face value of the Capital Appreciation Bonds is \$146,495,000. The Bonds were issued at a discount and the difference of \$137,246,771 represents the discount in lieu of future interest payments on the Bonds.

²Out of the \$250,000,000 limit, \$62,946,635 has been authorized by the Legislature to be issued.

³Even though there is a limit set each project has to be approved by two-thirds vote of the Legislature.

STATE OF MONTANA - BONDDED DEBT
BOND REPAYMENT SCHEDULE FOR FISCAL YEARS 1985 THROUGH 1989, INCLUSIVE

	6/30/84 Outstanding	1985			1986			1987			1988			1989		
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Board of Housing																
Single Family I	\$586,045,000	\$ 2,550,000	\$ 3,260,365	\$ 5,810,365	\$ 2,500,000	\$ 3,141,456	\$ 5,641,456	\$ 2,490,000	\$ 3,026,831	\$ 5,516,831	\$ 2,555,000	\$ 2,910,321	\$ 5,465,321	\$ 2,490,000	\$ 2,788,361	\$ 5,278,361
Single Family II		8,050,000	32,109,980	40,159,980	9,500,000	31,564,283	41,064,283	9,475,000	30,949,105	40,424,105	9,800,000	30,338,380	40,138,380	10,280,000	29,684,088	39,964,088
Capital Appreciation Bond																
Multi Family		90,000	1,108,879	1,198,879	90,000	1,103,771	1,193,771	100,000	1,098,634	1,198,634	105,000	1,092,523	1,197,523	115,000	1,086,101	1,201,101
Department of Highways 1983 Revenue	64,000,000		4,898,063	4,898,063		4,898,063		11,075,000	4,524,281	15,599,281	11,825,000	3,721,844	15,546,844	12,680,000	2,801,837	15,481,837
Bond Anticipation Notes	39,075,000 ¹		2,735,250	2,735,250	39,075,000	2,735,250	41,810,250									
Department of Labor																
ESD (PERS #1)	159,271	48,238	12,742	60,980	52,097	8,883	60,980	56,009	4,715	60,724	2,926	234	3,160			
(PERS #2)	164,759 ²	46,819	13,181	60,000	50,565	9,435	60,000	54,610	5,390	60,000	12,764	1,021	13,786			
Department of Natural Resources	444,941 ²	11,259	17,055	28,314	11,705	16,609	28,314	12,170	16,144	28,314	12,653	15,661	28,314	13,156	15,158	28,314
Department of Administration																
Refunding 83 "A"	58,160,000	850,000	5,219,483	6,069,483	625,000	5,153,108	5,778,108	700,000	5,093,483	5,793,483	650,000	5,032,733	5,682,733	700,000	4,971,983	5,671,983
LRBP 83 "B"	39,330,000	4,160,000	2,604,148	6,764,148	4,480,000	2,344,948	6,824,948	4,935,000	2,052,628	6,987,628	5,315,000	1,716,655	7,031,655	5,735,000	1,340,745	7,075,745
Water Development 83 "C"	1,300,000	150,000	85,045	235,045	160,000	75,745	235,745	170,000	65,505	235,505	185,000	53,868	238,868	200,000	40,770	240,770
Montana Tech 1978	2,060,000	45,000	115,655	160,655	45,000	112,730	157,730	50,000	109,805	159,805	50,000	106,555	156,555	55,000	103,305	158,305
Highway 1976	5,370,000	325,000	262,245	587,245	340,000	247,945	587,945	360,000	232,645	592,645	380,000	216,085	596,085	405,000	197,845	602,845
University of Montana																
1956	1,230,000	115,000	41,813	156,813	130,000	36,938	166,938	135,000	31,875	166,875	140,000	26,625	166,625	105,000	22,688	127,688
1956 3rd	659,000	30,000	10,614	40,614	30,000	10,108	40,108	30,000	9,602	39,602	30,000	9,096	39,096	30,000	8,589	38,589
1963A	789,000	30,000	26,565	56,565	30,000	25,515	55,515	30,000	24,465	54,465	35,000	23,240	58,240	35,000	22,015	57,015
1963B	145,000	20,000	4,844	24,844	25,000	3,681	28,681	25,000	2,906	27,906	25,000	1,938	26,938	25,000	969	25,969
1964(1)	1,119,000	35,000	39,295	74,295	40,000	37,845	77,845	40,000	36,395	76,395	40,000	34,945	74,945	45,000	33,314	78,314
1964(2)	1,360,000	45,000	49,313	94,313	45,000	47,625	92,625	45,000	45,938	90,938	50,000	44,063	94,063	50,000	42,188	92,188
1965	723,000	25,000	20,940	45,940	25,000	20,190	45,190	25,000	19,440	44,440	25,000	18,690	43,690	25,000	17,940	42,940
1966(1)	1,459,000	45,000	42,420	87,420	50,000	40,920	90,920	50,000	39,420	89,420	50,000	37,920	87,920	50,000	36,420	86,420
1966(2)	3,295,000	110,000	163,231	273,231	110,000	157,594	267,594	125,000	151,188	276,188	130,000	144,525	274,525	180,000	135,300	315,300
1984	3,745,000	125,000	359,129	484,129	120,000	363,388	483,388	130,000	354,988	484,988	145,000	345,238	490,238	155,000	333,638	488,638
Montana State University																
1963	2,715,000	140,000	152,800	292,800	55,000	148,644	203,644	70,000	145,750	215,750	30,000	143,275	173,275	115,000	139,906	254,906
1971	1,445,000	55,000	72,725	127,725	60,000	69,505	129,505	60,000	66,145	126,145	65,000	62,645	127,645	70,000	58,865	128,865
1984	9,000,000	150,000	862,429	1,012,429	170,000	833,963	1,003,963	180,000	822,575	1,002,575	195,000	809,432	1,004,432	210,000	794,488	1,004,488
Northern Montana College																
Series A B C D E F G H	2,666,500	83,500	80,742	164,242	87,000	78,222	165,222	91,500	75,594	167,094	94,500	72,831	167,331	96,500	70,009	166,509
Eastern Montana College																
Petro Rimrock Series A	1,356,000	60,000	41,438	101,438	65,000	39,484	104,484	65,000	37,453	102,453	70,000	35,344	105,344	70,000	33,156	103,156
Series B	1,635,000	55,000	58,272	113,272	55,000	56,278	111,278	55,000	54,284	109,284	60,000	52,200	112,200	60,000	50,025	110,025
'65 Bonds	175,000	85,000	4,969	89,969	90,000	1,688	91,688									
Apsaruke Hall	142,000	10,000	3,768	13,768	10,000	3,493	13,493	11,000	3,204	14,204	11,000	2,901	13,901	11,000	2,599	13,599
Montana College of Mineral Science and Technology																
1958	102,000	7,000	2,955	9,955	7,000	2,745	9,745	8,000	2,520	10,520	8,000	2,280	10,280	8,000	2,040	10,040
1970	950,000	30,000	74,288	104,288	30,000	71,963	101,963	35,000	69,400	104,400	35,000	66,600	101,600	40,000	63,600	103,600
Western Montana College																
1966 Series A																
B	53,000	30,000	1,045	31,045	23,000	316	23,316									
C	126,000	10,000	3,630	13,630	10,000	3,330	13,330	10,000	3,030	13,030	10,000	2,730	12,730	10,000	2,430	12,430
D	186,000	10,000	6,335	16,335	10,000	5,985	15,985	10,000	5,635	15,635	10,000	5,285	15,285	10,000	4,935	14,935
1967 Series A	421,000	15,000	13,405	28,405	15,000	11,955	26,955	15,000	11,505	26,505	15,000	11,055	26,055	15,000	10,605	25,605
B	173,000	9,000	8,846	17,846	9,000	8,374	17,374	10,000	7,875	17,875	10,000	7,350	17,350	11,000	6,799	17,799
GRAND TOTAL	\$831,977,471	\$17,668,816	\$54,593,872	\$72,262,688	\$58,243,367	\$53,497,555	\$111,740,922	\$30,746,289	\$49,205,543	\$79,951,832	\$32,190,843	\$47,170,888	\$79,361,732	\$34,113,656	\$44,927,091	\$79,040,747

¹ The Highway Revenue Bond Anticipation Notes were issued in anticipation of an additional series of revenue bonds. The notes are due March 1, 1986 and payments due prior to that date represent interest on the Notes.

² The amount outstanding at 6/30/84 for the Department of Natural Resources does not include \$2,500 of Charlo Project Bonds as reported on Schedule 1. The repayment schedule for these bonds is not readily available.

STATE OF MONTANA - BONDED DEBT
BOND REPAYMENT SCHEDULE FOR FISCAL YEARS 1985 THROUGH 1989, INCLUSIVE

	6/30/84 Outstanding	1985			1986			1987			1988			1989			
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
Board of Housing																	
Single Family I	\$586,045,000	\$ 2,550,000	\$ 3,260,365	\$ 5,810,365	\$ 2,500,000	\$ 3,141,456	\$ 5,641,456	\$ 2,490,000	\$ 3,026,831	\$ 5,516,831	\$ 2,555,000	\$ 2,910,321	\$ 5,465,321	\$ 2,490,000	\$ 2,788,361	\$ 5,278,361	
Single Family II		8,050,000	32,109,980	40,159,980	9,500,000	31,564,283	41,064,283	9,475,000	30,949,105	40,424,105	9,800,000	30,338,380	40,138,380	10,280,000	29,684,088	39,964,088	
Capital Appreciation Bond																	
Multi Family		90,000	1,108,879	1,198,879	90,000	1,103,771	1,193,771	100,000	1,098,634	1,198,634	105,000	1,092,523	1,197,523	115,000	1,086,101	1,201,101	
Department of Highways 1983 Revenue	64,000,000	4,898,063	4,898,063	4,898,063	4,898,063	4,898,063	4,898,063	11,075,000	4,524,281	15,599,281	11,825,000	3,721,844	15,546,844	12,680,000	2,801,837	15,481,837	
Bond Anticipation Notes	39,075,000 ¹	2,735,250	2,735,250	39,075,000	2,735,250	41,810,250											
Department of Labor																	
ESD (PERS #1)	159,271	48,238	12,742	60,980	52,097	8,883	60,980	56,009	4,715	60,724	2,926	234	3,160				
(PERS #2)	164,759	46,819	13,181	60,000	50,565	9,435	60,000	54,610	5,390	60,000	12,764	1,021	13,786				
Department of Natural Resources	444,941 ²	11,259	17,055	28,314	11,705	16,609	28,314	12,170	16,144	28,314	12,653	15,661	28,314	13,156	15,158	28,314	
Department of Administration																	
Refunding	83 "A"	58,160,000	850,000	5,219,483	6,069,483	625,000	5,153,108	5,778,108	700,000	5,093,483	5,793,483	650,000	5,032,733	5,682,733	700,000	4,971,983	5,671,983
LRBP	83 "B"	39,330,000	4,160,000	2,604,148	6,764,148	4,480,000	2,344,948	6,824,948	4,935,000	2,052,628	6,987,628	5,315,000	1,716,655	7,031,655	5,735,000	1,340,745	7,075,745
Water Development	83 "C"	1,300,000	150,000	85,045	235,045	160,000	75,745	235,745	170,000	65,505	235,505	185,000	53,868	238,868	200,000	40,770	240,770
Montana Tech 1978	2,060,000	45,000	115,655	160,655	45,000	112,730	157,730	50,000	109,805	159,805	50,000	106,555	156,555	55,000	103,305	158,305	
Highway 1976	5,370,000	325,000	262,245	587,245	340,000	247,945	587,945	360,000	232,645	592,645	380,000	216,085	596,085	405,000	197,845	602,845	
University of Montana																	
1956	1,230,000	115,000	41,813	156,813	130,000	36,938	166,938	135,000	31,875	166,875	140,000	26,625	166,625	105,000	22,688	127,688	
1956 3rd		659,000	30,000	10,614	40,614	30,000	10,108	40,108	30,000	9,602	39,602	30,000	9,096	39,096	30,000	8,589	38,589
1963A		789,000	30,000	26,565	56,565	30,000	25,515	55,515	30,000	24,465	54,465	35,000	23,240	58,240	35,000	22,015	57,015
1963B		145,000	20,000	4,844	24,844	25,000	3,681	28,681	25,000	2,906	27,906	25,000	1,938	26,938	25,000	969	25,969
1964(1)		1,119,000	35,000	39,295	74,295	40,000	37,845	77,845	40,000	36,395	76,395	40,000	34,945	74,945	45,000	33,314	78,314
1964(2)		1,360,000	45,000	49,313	94,313	45,000	47,625	92,625	45,000	45,938	90,938	50,000	44,063	94,063	50,000	42,188	92,188
1965		723,000	25,000	20,940	45,940	25,000	20,190	45,190	25,000	19,440	44,440	25,000	18,690	43,690	25,000	17,940	42,940
1966(1)		1,459,000	45,000	42,420	87,420	50,000	40,920	90,920	50,000	39,420	89,420	50,000	37,920	87,920	50,000	36,420	86,420
1966(2)		3,295,000	110,000	163,231	273,231	110,000	157,594	267,594	125,000	151,188	276,188	130,000	144,525	274,525	180,000	135,300	315,300
1984		3,745,000	125,000	359,129	484,129	120,000	363,388	483,388	130,000	354,988	484,988	145,000	345,238	490,238	155,000	333,638	488,638
Montana State University																	
1963		2,715,000	140,000	152,800	292,800	55,000	148,644	203,644	70,000	145,750	215,750	30,000	143,275	173,275	115,000	139,906	254,906
1971		1,445,000	55,000	72,725	127,725	60,000	69,505	129,505	60,000	66,145	126,145	65,000	62,645	127,645	70,000	58,865	128,865
1984		9,000,000	150,000	862,429	1,012,429	170,000	833,963	1,003,963	180,000	822,575	1,002,575	195,000	809,432	1,004,432	210,000	794,488	1,004,488
Northern Montana College																	
Series A B C D E F G H		2,666,500	83,500	80,742	164,242	87,000	78,222	165,222	91,500	75,594	167,094	94,500	72,831	167,331	96,500	70,009	166,509
Eastern Montana College																	
Petro Rimrock Series A		1,356,000	60,000	41,438	101,438	65,000	39,484	104,484	65,000	37,453	102,453	70,000	35,344	105,344	70,000	33,156	103,156
Series B		1,635,000	55,000	58,272	113,272	55,000	56,278	111,278	55,000	54,284	109,284	60,000	52,200	112,200	60,000	50,025	110,025
'65 Bonds		175,000	85,000	4,969	89,969	90,000	1,688	91,688									
Apsaruke Hall		142,000	10,000	3,768	13,768	10,000	3,493	13,493	11,000	3,204	14,204	11,000	2,901	13,901	11,000	2,599	13,599
Montana College of Mineral Science and Technology																	
1958		102,000	7,000	2,955	9,955	7,000	2,745	9,745	8,000	2,520	10,520	8,000	2,280	10,280	8,000	2,040	10,040
1970		950,000	30,000	74,288	104,288	30,000	71,963	101,963	35,000	69,400	104,400	35,000	66,600	101,600	40,000	63,600	103,600
Western Montana College																	
1966 Series A		53,000	30,000	1,045	31,045	23,000	316	23,316									
B		126,000	10,000	3,630	13,630	10,000	3,330	13,330	10,000	3,030	13,030	10,000	2,730	12,730	10,000	2,430	12,430
C		186,000	10,000	6,335	16,335	10,000	5,985	15,985	10,000	5,635	15,635	10,000	5,285	15,285	10,000	4,935	14,935
D		421,000	15,000	13,405	28,405	15,000	11,955	26,955	15,000	11,505	26,505	15,000	11,055	26,055	15,000	10,605	25,605
1967 Series A		173,000	9,000	8,846	17,846	9,000	8,374	17,374	10,000	7,875	17,875	10,000	7,350	17,350	11,000	6,799	17,799
B		199,000	13,000	5,970	18,970	13,000	5,580	18,580	13,000	5,190	18,190	14,000	4,800	18,800	14,000	4,380	18,380
GRAND TOTAL		\$831,977,471	\$17,668,816	\$54,593,872	\$72,262,688	\$58,243,367	\$53,497,555	\$111,740,922	\$30,746,289	\$49,205,543	\$79,951,832	\$32,190,843	\$47,170,888	\$79,361,732	\$34,113,656	\$44,927,091	\$79,040,747

¹ The Highway Revenue Bond Anticipation Notes were issued in anticipation of an additional series of revenue bonds. The notes are due March 1, 1986 and payments due prior to that date represent interest on the Notes.
² The amount outstanding at 6/30/84 for the Department of Natural Resources does not include \$2,500 of Charlo Project Bonds as reported on Schedule 1. The repayment schedule for these bonds is not readily available.

STATE OF MONTANA - BONDED DEBT
BOND REPAYMENT SCHEDULE FOR FIVE YEAR INCREMENTS

	1985-1989			1990-1994			1995-1999			2000-2004			2005-2009			2010-2014			2015-2019			2020-2024				
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
Board of Housing																										
Single Family I	\$ 12,585,000	\$ 15,127,334	\$ 27,712,334	\$ 10,845,000	\$ 12,203,457	\$ 23,048,457	\$ 12,685,000	\$ 18,092,928	\$ 30,777,928	\$ 9,730,000	\$ 5,603,479	\$ 15,333,479	\$12,000,000	\$ 2,871,119	\$ 14,871,119	\$ 1,115,000	\$ 72,475	\$ 1,187,475								
Single Family II	47,105,000	150,645,836	201,750,836	59,735,000	136,420,310	196,155,310	80,145,000	108,001,271	186,146,271	92,215,000	64,988,773	157,203,773	68,745,000	27,016,710	95,761,710	17,485,000	2,945,310	20,430,310								
Capital Appreciation Bonds 1																										
Multi Family	500,000	5,489,908	5,489,908	665,000	5,317,585	5,982,585	935,000	5,074,504	6,009,504	1,330,000	4,713,184	6,043,184	1,875,000	4,176,700	6,051,700	146,495,000	16,695,000									
Department of Highways	35,570,000	20,864,088	56,424,088	28,420,000	2,372,531	30,792,531																				
Bond Anticipation Notes	39,075,000	5,470,500	44,545,500																							
Department of Labor																										
ESD (PERS #1)	159,271	26,574	185,845																							
(PERS #2)	164,759	29,027	193,786																							
Department of Natural Resources	60,943	80,627	141,570	67,140	67,662	134,802	69,630	55,075	124,705	83,660	41,045	124,705	100,591	24,113	124,704	55,580	5,820	61,400	5,392	407	5,709					
Department of Administration																										
Refunding 83A	3,525,000	25,470,790	28,995,790	25,890,000	21,129,494	47,019,494	23,290,000	5,253,422	28,563,422	2,075,000	2,128,375	4,203,375	2,790,000	950,475	3,740,475	\$50,000	28,025	618,025								
Building Fund Building Plan 83B	24,825,000	10,059,126	34,864,126	14,510,000	1,430,366	15,940,346	195,000	7,800	202,800																	
Water Development 83C	865,000	320,913	1,185,933	435,000	33,585	468,585																				
Montana Tech 1978	145,000	548,030	793,050	315,000	473,455	788,455	415,000	381,225	796,225	535,000	254,925	789,925	550,000	82,070	632,070											
Highway 1976	1,810,000	1,156,765	2,966,765	2,395,000	664,250	3,059,250	1,165,000	80,250	1,233,250																	
University of Montana																										
1956	625,000	159,939	784,939	605,000	35,813	640,813																				
1956 3rd	150,000	48,009	198,009	180,000	34,003	214,003	215,000	17,128	232,128	114,000	1,485	115,485														
1963 A	160,000	121,800	281,800	185,000	91,175	276,175	220,000	54,950	274,950	224,000	13,335	237,335														
1963 B	120,000	14,338	134,338	25,000																						
1964 (1)	200,000	181,794	381,794	235,000	141,556	376,556	285,000	93,525	378,525	345,000	35,706	380,706	54,000													
1964 (2)	235,000	229,127	664,127	280,000	180,375	460,375	345,000	120,563	465,563	410,000	48,938	458,938	90,000													
1965	125,000	97,200	222,200	150,000	76,200	226,200	175,000	51,450	226,450	205,000	22,800	227,800	68,000													
1966 (1)	245,000	197,100	442,100	285,000	156,900	441,900	325,000	110,700	435,700	380,000	57,150	437,150	111,994													
1966 (2)	655,000	751,838	1,406,838	1,100,000	534,025	1,634,025	1,540,000	141,706	1,681,706	1,427,031	43,500	1,681,706	111,994													
1958	675,000	1,756,181	2,431,381	1,010,000	1,433,025	2,443,025	1,625,000	2,427,031	435,000	47,306	482,306															
Montana State University																										
1971 and 1983	410,000	730,375	1,140,375	1,020,000	574,810	1,594,810	1,285,000	153,150	1,438,150																	
1971	310,000	329,885	639,865	420,000	226,160	666,160	575,000	99,788	674,788	400,000	3,150	143,150	518,750													
1984	905,000	4,132,887	5,027,887	1,340,000	3,680,583	5,020,583	2,125,000	2,888,750	5,013,750	2,705,000	1,607,750	4,312,750	1,925,000	518,750	2,443,750											
Northern Montana College																										
Series A C D E F G H	453,000	377,398	830,398	529,300	304,269	833,769	550,000	185,113	735,113	296,000	151,286	447,286	262,500	110,400	372,900	305,000	68,550	373,550	270,500	20,955	291,455					
Eastern Montana College																										
Petro Rimrock Series A	330,000	186,875	516,875	385,000	130,703	515,703	455,000	65,391	520,391	186,000	3,625	191,625														
Series B	285,000	271,059	556,059	345,000	214,328	559,328	410,000	146,269	556,269	485,000	65,159	550,159	110,000	1,994	111,994											
*65 Bonds	175,000	6,657	181,657	153,000	8,223	68,223	29,000	922	29,922																	
Asperuke Hall	53,000	15,965	68,965	60,000	8,223	68,223																				
Montana College of Mineral Science and Technology																										
1958	38,000	12,540	50,540	44,000	6,360	50,360	20,000	600	20,600																	
1970	170,000	345,851	515,851	250,000	261,695	511,695	350,000	140,830	490,830	180,000	13,875	193,875														
Western Montana College																										
1968 Series A	53,000	1,361	54,361	50,000	7,650	57,650	26,000	1,050	27,650																	
B	50,000	15,150	65,150	50,000	19,425	69,425	55,000	10,488	65,488	31,000	1,128	32,128														
C	50,000	28,175	78,175	50,000	40,295	121,295	100,000	33,150	133,150	105,000	18,075	123,075	66,000													
0	35,000	58,523	133,523	25,000	4,295	29,295	61,000	6,589	67,589																	
1967 Series A	49,000	39,244	88,244	63,000	24,649	87,649	61,000	6,589	67,589	105,000	18,075	123,075	66,000													
B	67,000	25,920	92,920	79,000	15,210	94,210	53,000	3,210	56,210																	
GRAND TOTAL	\$172,962,973	\$249,394,949	\$422,357,922</td																							

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED ISSUED,
ISSUED, AND OUTSTANDING (SINCE 1972)

	1972			1973			1974		
	Authorized*	Issued	Outstanding	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding
BOH - Single Family I									
- Single Family II									
- Multi-family									
Highways - 1983									
Bond Anticipation Notes									
Labor - ESD - PERS #1				\$ 891,000	\$ 891,000	\$ 891,000			\$ 846,010
- PERS #2				499,000	499,000	499,000			478,920
DNRC									
Various FMHA Bonds									
Charlo Water Project Bonds									\$ 450,000 450,000
DofA		\$ 5,500,000			2,500,000				
Refunding 1983 "A"									
LRBP 1983 "B"									
Water Projects 1983 "C"									
MCMST (6) 1978									
Highways 1976									
LRBP - Series - I 1965	**		\$ 6,795,000			6,600,000			6,395,000
- II 1967	**		9,390,000			9,190,000			8,980,000
- IIA 1969 ¹	**								
- III 1970	**		3,790,000			2,765,000			1,620,000
- IV 1970	**		6,675,000			6,675,000			6,675,000
- V 1970	**		5,605,000			5,130,000			4,630,000
Series 1980									
Series 1981									
Total Non-University		<u>5,500,000</u>	<u>-0-</u>	<u>32,255,000</u>	<u>3,890,000</u>	<u>1,390,000</u>	<u>31,750,000</u>	<u>-0-</u>	<u>450,000</u> <u>30,074,930</u>
UofM - 1956		17,399,000		15,271,000			14,926,000		14,621,000
- 1963		2,468,000		1,980,000			1,905,000		1,800,000
- 1971		2,640,000		2,640,000			2,610,000		2,580,000
- 1959		310,000		221,000			208,000		195,000
- 1953 "A"		800,000		421,000			343,000		321,000
- 1956 "B"		200,000		99,000			93,000		83,000
- 1955 "A"		425,000		2,000			2,000		2,000
MSU - 1954		21,548,000		16,720,000		2,000,000	17,659,000		17,264,000
- 1956		1,600,000		798,000			753,000		703,000
- 1963		6,078,000		5,443,000			5,168,000		5,043,000
- 1971		1,875,000		1,875,000			1,875,000		1,850,000
MCMST - Butte - 1958		182,000		172,000			167,000		162,000
- 1970		1,200,000		1,190,000			1,175,000		1,160,000
WMC - 1966		1,676,000		1,351,000			1,311,000		1,271,000
- Series A & B 1967		636,000		578,000			564,000		550,000
EMC - Cisel		300,000		52,000			35,000		18,000
- Apsaruke		330,000		242,000			235,000		228,000
- EMCE		1,270,000		983,000			930,000		875,000
- Petro		4,501,000		4,116,000			4,036,000		3,956,000
NMC - 1972 (Series A-4)		3,547,000	\$ 3,547,000	3,547,000			3,489,000		3,448,000
- 1970 B									
Total University		<u>68,985,000</u>	<u>3,547,000</u>	<u>57,701,000</u>	<u>-0-</u>	<u>2,000,000</u>	<u>57,484,000</u>	<u>-0-</u>	<u>-0-</u> <u>56,130,000</u>
Grant Total University & Non-University		<u>\$74,485,000</u>	<u>\$3,547,000</u>	<u>\$89,956,000</u>	<u>\$3,890,000</u>	<u>\$3,390,000</u>	<u>\$89,234,000</u>	<u>\$-0-</u>	<u>\$450,000</u> <u>\$86,204,930</u>

* 1972 authorized amounts represent cumulative figures. Most of the amounts were authorized prior to 1972.

**Information related to the authorized amounts for the LRBP series 1965-1970 is not readily available.

¹ These bonds are not outstanding at June 30, 1984. The state has no record of either issue or the repayment schedules associated with the issue.

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
ISSUED, AND OUTSTANDING (SINCE 1972) (Continued)

	1975			1976			1977		
	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>
BOH - Single Family I									
- Single Family II	\$75,000,000								
- Multi-family									
Highways - 1983									
Bond Anticipation Notes									
Labor - ESD - PERS #1				\$ 797,421			\$ 744,944		
- PERS #2				457,234			433,812		
DNRC									
Various FMHA Bonds				444,326			438,449		
Charlo Water Project Bonds									
DofA									
Refunding 1983 "A"							\$2,255,000		
LRBP 1983 "B"									
Water Projects 1983 "C"									
MCMST (6) 1978									
Highways 1976									
LRBP - Series - I 1965				6,185,000	\$7,400,000	\$7,400,000	7,400,000		
- II 1967				8,755,000			5,965,000		
- IIA 1969							8,520,000		
- III 1970				415,000					
- IV 1970				6,675,000			5,820,000		
- V 1970				4,100,000			3,540,000		
Series 1980									
Series 1981									
Total Non-University	<u>75,000,000</u>	<u>-0-</u>	<u>27,828,981</u>	<u>7,400,000</u>	<u>7,400,000</u>	<u>32,862,205</u>	<u>2,255,000</u>	<u>21,470,000</u>	<u>51,629,145</u>
UofM - 1956				14,201,000			13,756,000		
- 1963				1,655,000			1,570,000		
- 1971				2,550,000			2,515,000		
- 1959				182,000			169,000		
- 1953 "A"				286,000			251,000		
- 1956 "B"				74,000			65,000		
- 1955 "A"				2,000			2,000		
MSU - 1954				16,860,000			15,923,000		
- 1956				653,000			568,000		
- 1963				4,613,000			4,448,000		
- 1971				1,820,000			1,785,000	1,875,000	
MCMST - Butte - 1958				157,000			152,000	182,000	
- 1970				1,145,000			1,130,000		
WMC - 1966				1,231,000			1,191,000		
- Series A & B 1967				535,000			519,000	636,000	
EMC - Cisel									
- Apsaruke				220,000			212,000		
- EMCE				817,000			757,000		
- Petro				3,876,000			3,791,000		
NMC - 1972 (Series A-4)				3,406,000			3,342,000		
- 1970 B									
Total University	<u>-0-</u>	<u>-0-</u>	<u>54,283,000</u>	<u>-0-</u>	<u>-0-</u>	<u>52,146,000</u>	<u>2,693,000</u>	<u>-0-</u>	<u>50,127,000</u>
Grant Total University & Non-University	<u>\$75,000,000</u>	<u>\$-0-</u>	<u>\$82,111,981</u>	<u>\$7,400,000</u>	<u>\$7,400,000</u>	<u>\$85,008,205</u>	<u>\$4,948,000</u>	<u>\$21,470,000</u>	<u>\$101,756,145</u>

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
ISSUED, AND OUTSTANDING (SINCE 1972) (Continued)

	1978			1979		
	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>
BOH - Single Family I		\$35,060,000	\$56,530,000		\$375,000,000	\$ 13,600,000
- Single Family II						\$ 69,645,000
- Multi-family		4,865,000	4,865,000			4,865,000
Highways - 1983						
Bond Anticipation Notes						
Labor - ESD - PERS #1			627,062			560,957
- PERS #2			381,199			351,695
DNRC						
Various FMHA Bonds						
Charlo Water Project Bonds		84,600	510,652			502,061
DofA					12,000,000	
Refunding 1983 "A"						
LRBP 1983 "B"						
Water Projects 1983 "C"						
MCMST (6) 1978		2,275,000	2,275,000			2,245,000
Highways 1976			6,975,000			6,745,000
LRBP - Series - I 1965			5,495,000			5,245,000
- II 1967			8,015,000			7,745,000
- IIA 1969						
- III 1970			3,060,000			1,570,000
- IV 1970			2,330,000			1,675,000
- V 1970						
Series 1980						
Series 1981						
Total Non-University	<u>-0-</u>	<u>42,284,600</u>	<u>91,063,913</u>	<u>387,000,000</u>	<u>13,600,000</u>	<u>101,149,713</u>
UofM - 1956			13,171,000			12,801,000
- 1963			1,390,000			1,300,000
- 1971			2,430,000			2,380,000
- 1959			143,000			126,000
- 1953 "A"			176,000			172,000
- 1956 "B"			46,000			36,000
- 1955 "A"			2,000			
MSU - 1954			14,280,000			13,805,000
- 1956			101,000			101,000
- 1963			4,035,000			3,885,000
- 1971			1,715,000			1,675,000
MCMST - Butte - 1958			140,000			134,000
- 1970			1,095,000			1,075,000
WMC - 1966			1,101,000			1,051,000
- Series A & B 1967			486,000			469,000
EMC - Cisel						
- Apsaruke			196,000			188,000
- EMCE			630,000			562,000
- Petro			3,611,000			3,516,000
NMC - 1972 (Series A-4)			3,169,000			3,096,000
- 1970 B						
Total University	<u>-0-</u>	<u>-0-</u>	<u>47,917,000</u>	<u>-0-</u>	<u>-0-</u>	<u>46,372,000</u>
Grant Total University & Non-University	<u>\$-0-</u>	<u>\$42,284,600</u>	<u>\$138,980,913</u>	<u>\$387,000,000</u>	<u>\$13,600,000</u>	<u>\$147,521,713</u>

STATE OF MONTANA - BONDED DEBT
HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
ISSUED, AND OUTSTANDING (SINCE 1972) (Continued)

	1980		1981	
	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Authorized</u>
BOH - Single Family I			\$ 68,280,000	
- Single Family II		\$150,000,000	150,000,000	\$675,000,000
- Multi-family		8,660,000	13,525,000	
Highways - 1983				
Bond Anticipation Notes				
Labor - ESD - PERS #1			489,563	
- PERS #2			319,830	412,458
DNRC				
Various FMHA Bonds			493,134	
Charlo Water Project Bonds				483,855
DofA				31,550,505
Refunding 1983 "A"				
LRBP 1983 "B"				
Water Projects 1983 "C"				
MCMST (6) 1978			2,210,000	
Highways 1976			6,500,000	2,175,000
LRBP - Series - I 1965			4,985,000	6,240,000
- II 1967			7,460,000	4,715,000
- IIIA 1969				7,160,000
- III 1970				
- IV 1970				
- V 1970			985,000	
Series 1980	\$19,130,000	19,130,000	19,130,000	
Series 1981				18,930,000
Total Non-University	<u>19,130,000</u>	<u>177,790,000</u>	<u>274,377,527</u>	<u>706,550,505</u>
UofM - 1956			12,416,000	
- 1963			1,205,000	12,016,000
- 1971			2,335,000	1,150,000
- 1959			108,000	2,285,000
- 1953 "A"			111,000	90,000
- 1956 "B"			25,000	71,000
- 1955 "A"				18,000
MSU - 1954			12,885,000	
- 1956				12,362,000
- 1963			3,865,000	3,845,000
- 1971			1,635,000	1,590,000
MCMST - Butte - 1958			128,000	122,000
- 1970			1,055,000	1,030,000
WMC - 1966			1,001,000	951,000
- Series A & B 1967			451,000	432,000
EMC - Cisel				
- Apsaruke			179,000	170,000
- EMCE			490,000	415,000
- Petro			3,416,000	3,316,000
NMC - 1972 (Series A-4)			3,021,000	2,946,000
- 1970 B				
Total University	<u>-0-</u>	<u>-0-</u>	<u>44,326,000</u>	<u>-0-</u>
Grand Total University & Non-University	<u>\$19,130,000</u>	<u>\$177,790,000</u>	<u>\$318,703,527</u>	<u>\$-0-</u>
				<u>42,809,000</u>
				<u>\$303,730,730</u>

STATE OF MONTANA - BONDED DEBT
 HISTORICAL SCHEDULE OF BONDS AUTHORIZED,
 ISSUED, AND OUTSTANDING (SINCE 1972)

	1982			1983		
	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>	<u>Authorized</u>	<u>Issued</u>	<u>Outstanding</u>
BOH - Single Family I			\$ 63,955,000			\$ 6
- Single Family II		\$55,000,000	202,395,000		\$ 85,000,000	26
- Multi-family		1,945,000	15,330,000			1
Highways - 1983					\$64,000,000	64,000,000
Bond Anticipation Notes						6
Labor - ESD - PERS #1			329,185			
- PERS #2			248,250			
DNRC						
Various FMHA Bonds			464,188			
DofA						39,334,695
Refunding 1983 "A"						
LRBP 1983 "B"						
Water Projects 1983 "C"						
MCMST (6) 1978			2,140,000			
Highways 1976			5,965,000			
LRBP - Series - I 1965			4,435,000			
- II 1967			6,845,000			
- IIA 1969						
- III 1970						
- IV 1970						
- V 1970						
Series 1980			18,715,000			
Series 1981	<u>\$36,550,000</u>	<u>36,550,000</u>	<u>34,115,000</u>			
Total Non-University	<u>36,550,000</u>	<u>93,495,000</u>	<u>354,936,623</u>	<u>64,000,000</u>	<u>188,334,695</u>	<u>47</u>
UofM - 1956			11,636,000			
- 1963			1,040,000			
- 1971			2,230,000			
- 1959			72,000			
- 1953 "A"			26,000			
- 1956 "B"			6,000			
- 1955 "A"						
- 1984						
MSU - 1954			11,818,000	1,350,000	1,350,000	1
- 1956						
- 1963			3,675,000			
- 1971			1,545,000			
- 1984						
MCMST - Butte - 1958			116,000			

SCHEDULE OF OTHER LONG-TERM COMMITMENTS
AT JUNE 30, 1984

CONTRACTS

The state has major long-term commitments for unperformed contracts. As of June 30, 1984 material commitments were related to projects for state highway and building construction in the following amounts:

Department of Highways Contracts	\$116,778,876
Department of Administration	
Architecture & Engineering Division Contracts	\$ 30,314,009

COMPENSATED ABSENCES

Upon retirement or termination, state employees are paid 100 percent of unused vacation leave and 25 percent of unused sick leave. As of June 30, 1984 the state's liability for unused vacation and sick leave for employees was

University and Vocational Technical Centers	\$11.4 million
All Other State Agencies	24.9 million
	<u>\$36.3 million</u>

This liability is calculated based on all state employees terminating or retiring on June 30, 1984. The amount represents both the current and long-term portion of the liability associated with compensated absences.

LEASES

The state has entered into various capital and operating leases for land, buildings, and equipment. Lease contracts are required by law to contain a clause indicating that continuation of the lease is subject to funding by the Legislature. It is expected that in the normal course of operations most of these leases will be replaced by similar leases.

Future minimum lease payments under the capital leases are as follows:

Fiscal Year Ending June 30

1985	\$ 2,451,617
1986	2,132,366
1987	1,980,587
1988	2,512,607
1989	1,894,007
After 1989	7,477,182
Total Minimum Lease Payments	<u>18,448,366</u>
Less Interest	(5,577,267)
Present Value of Minimum Lease Payments	<u>\$12,871,099</u>

Future rental payments for operating leases are as follows:

Fiscal Year Ending June 30

1985	\$ 2,092,156
1986	1,961,392
1987	1,343,983
1988	1,009,916
1989	705,792
After 1989	3,022,973
Total Future Rental Payments	<u>\$10,136,212</u>

LOANS

The Department of Labor and Industry had an outstanding loan payable to the Federal Unemployment Trust Fund in the U.S. Treasury at June 30, 1984. The loan was issued during fiscal years 1982-83 and 1983-84 to pay unemployment benefits. It becomes payable within three years of the issue date. The amount outstanding at June 30, 1984 was \$14,825,028. The Department of Labor and Industry made a payment of \$6,268,641 on the loan in September 1984.

SUBSEQUENT EVENTS

Subsequent to June 30, 1984 the following bonds have been issued:

August 1984--Montana Department of Natural Resources and Conservation issued Coal Severance Tax Bonds in the amount of \$10,485,000. These were issued pursuant to 17-5-706, MCA.

September 1984--\$23,500,000 of revenue bonds were offered by the Montana Health Facility pursuant to 90-7-101, 102, 103, MCA.

September 1984--The Board of Housing issued \$75,002,290 of Single-Family Program Bonds.

September 1984--The Board of Regents of Higher Education issued the following bonds:

UofM refunding bonds of \$4,980,000. This issue refunded the entire 1956 Dormitory Series (\$10,779,000 at June 30, 1984) and provided \$1.454 million for construction purposes.

EMC for \$7,380,000. This issue defeased all previously outstanding issues (\$3,308,000 at June 30, 1984).

The additional \$107,260,290 should be taken into consideration by the reader when analyzing the schedules presented in this report. The data on the repayment schedule only takes into account bonds outstanding at June 30, 1984.

APPENDIX A - GLOSSARY

Bond. A written promise to pay a specified sum of money, called the face value (par value) or principal amount, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.

Block-term Bonds. A portion (block) of a serial bond issue that has been combined into a single maturity, usually with the requirement that specified amounts of such bonds be redeemed on specified dates prior to the maturity date.

Bond Anticipation Notes (BANS). Short-term interest-bearing notes issued by a government in anticipation of bonds to be issued at a later date. The notes are retired from the proceeds of the bond issue to which they are related.

Capital Appreciation Bonds. A bond issued at a discount which is payable at face value in a lump sum at the maturity date. The difference between the proceeds from the issuance and the face value represents the discount in lieu of future interest payments on the bonds.

Combination Bond. A bond issued by a government which is payable from the revenues of a governmental enterprise but which is also backed by the full faith and credit of the government.

Current Liabilities. Liabilities which are payable within one year.

Debt Service Fund. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Formerly called a Sinking Fund.

Debt Service Fund Requirements. The amounts of revenue which must be provided for a Debt Service Fund so that all principal and interest payments can be made in full on schedule.

Debt Service Reserve Fund. A fund created from the proceeds of a bond issue and/or the excess of applicable revenues to provide a ready reserve to meet current debt service payments should moneys not be available from current revenues. The amount of such debt service reserve fund is frequently established at the average annual debt service level; however, in some cases, it may be at the highest annual debt service amount or, in others, at twice the annual interest costs.

Defease. To discharge the lien of an ordinance, resolution, or indenture relating to a bond issue and, in the process, rendering inoperative restrictions under which the issuer has been obliged to operate. Ordinarily an issuer may defease an

indenture requirement by depositing with a trustee an amount sufficient fully to pay all amounts under a bond contract as they become due.

Deferred Serial Bonds. Serial bonds in which the first installment does not fall due for two or more years from the date of issue.

Full-Faith-and-Credit Debt. Two definitions presented.

*A pledge of the general taxing power for the payment of debt obligations. Bonds carrying such pledges are referred to as general obligation bonds or full faith and credit bonds.

**All long-term obligations for which the credit of the government, implying power of taxation, is unconditionally pledged. This category is further subclassified under two headings as follows:

- (a) General obligations. Full-faith-and-credit debt other than that payable initially from nontax revenue (but including debt payable in the first instance from particularly earmarked taxes).
- (b) Debt payable initially from specified nontax revenue. Long-term debt amounts payable in the first instance from some specific source of nontax revenue.

Indenture. The formal agreement between a group of bondholders, acting through a trustee, and the issuer as to the terms and security for the debt. Ordinarily, it involves the placement of a lien upon either the income, property, or both, being acquired from expenditure of the proceeds of the bond issue.

Industrial Revenue Bonds. Bonds issued by governments, the proceeds of which are used to construct facilities for a private business enterprise. Lease payments made by the business enterprise to the government are used to service the bonds. Such bonds may be in the form of general obligation bonds, combination bonds, or revenue bonds.

Issuance Costs. The costs incurred by the issuer of securities incident to the planning and sale of securities. These costs include the spread for underwriters, feasibility studies, printing, advertising, the fees of counsel, costs of presentations to potential investors, and the value of staff time and facilities required in the planning and sale of the bonds.

Legal Opinion. (1) The opinion of an official authorized to render it, such as an attorney general or city attorney as to legality. (2) In the case of governmental bonds, the opinion of a specialized bond attorney as to the legality of a bond issue. (See also Qualified Legal Opinion)

Long-term Debt. Debt with a maturity of more than one year after the date of issuance.

Official Statement. A statement issued by a governmental authority at the time of sale of its bonds or notes setting forth the pertinent facts concerning the issuer, the issuer's financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor fairly to judge the quality of the securities being offered. Also known as the Disclosure Statement.

Qualified Legal Opinion. A legal opinion containing conditional, as distinguished from unconditional affirmations concerning the legality of an instrument used in borrowing and/or concerning the tax status of the interests on a debt instrument.

Refunding Bonds. Bonds issued to retire bonds already outstanding. The refunding bonds may be sold for cash and outstanding bonds redeemed in cash, or the refunding bonds may be exchanged with holders of outstanding bonds.

Regular Serial Bonds. Serial bonds in which all periodic installments of principal repayment are equal.

Revenue Bonds. Bonds whose principal and interest are payable exclusively from earnings of an Enterprise Fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the Enterprise Fund's property. The term revenue bonds is currently used in the municipal bond market to comprehend almost all bonds other than general obligation bonds.

Serial Annuity Bonds. Serial bonds in which the annual installments of bond principal are so arranged that the combined payments for principal and interest are approximately the same each year.

Serial Bonds. Bonds whose principal is repaid in period installments over the life of the issue. See Regular Serial Bonds, Deferred Serial Bonds, Straight Serial Bonds, and Serial Annuity Bonds.

Straight Serial Bonds. Serial bonds in which the annual installments of bond principal are about equal.

Tax Anticipation Notes (TANS). Notes issued in anticipation of collection of taxes, usually retrievable only from tax collections, and frequently only from the proceeds of the tax levy whose collection they anticipate.

Term Bonds. Bonds the entire principal of which matures on one date. The reference to sinking fund bonds implies a requirement for the accumulation of a sinking fund sufficient to pay the debt at its maturity.

Unqualified Bond Counsel Opinion. A bond counsel's opinion which contains no qualifications or exceptions concerning the legality of the bond issue or its tax-exempt status.

AGENCY RESPONSES

DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

(406) 444-2032

HELENA, MONTANA 59620

November 28, 1984

RECEIVED

NOV 28 1984

MONTANA LEGISLATIVE AUDITOR

Robert R. Ringwood
Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Ringwood:

In accordance with your request, we submit the following response to recommendations included in the recently completed audit of the State of Montana Long-term Obligations:

RECOMMENDATION #1:

We recommend the Office of the Commissioner of Higher Education and the Department of Administration establish a central file for bonded debt information.

RESPONSE:

Concur. The department is currently working on establishing a central file for bonded debt information although the department has no statutory authority to require the Commissioner of Higher Education or other departments, boards, and authorities to centralize their bonded debt information with us.

RECOMMENDATION #3:

We recommend the Board of Regents of Higher Education, the Department of Administration, and Eastern Montana College implement procedures which ensure compliance with the specific bond indentures.

RESPONSE:

Concur. The department has been in compliance concerning required deposits to its debt service account since fiscal year end 1984.

Certain long-term debt accounting problems are discussed in the audit report with no recommendations. Two of those problems relate to Department of Administration operations.

The audit report says the department should establish a \$14,409,543 receivable from agencies providing funding to retire the 1983B series and refunding bond issues. We are currently researching the proper accounting treatment for the

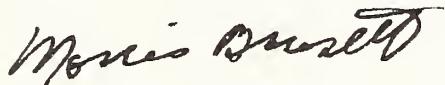
Robert R. Ringwood
November 28, 1984
Page 2

agreements with participating agencies and will work with the auditors to resolve this issue when our review is complete.

The department has corrected the misclassification of mortgages payable on the state's accounting system.

Thank you for allowing us to respond to this report. We will be glad to meet with you when the report is reviewed by the Audit Committee.

Sincerely,



MORRIS L. BRUSETT
Director

NOV/511



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602
(406) 444-6570

COMMISSIONER OF HIGHER EDUCATION

DEPARTMENTED

NOV 10 1984

MONTANA LEGISLATIVE AUDITOR

November 27, 1984

Robert R. Ringwood
Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Ringwood:

Attached are our responses to audit recommendations contained in the audit of long-term debt. Please let me know if you need more information.

Sincerely,

John H. Noble, Jr.
John H. Noble, Jr.
Deputy Commissioner for
Management and Fiscal Affairs

Attachment
JN:lc

RECOMMENDATION #1

WE RECOMMEND THE OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION AND THE DEPARTMENT OF ADMINISTRATION ESTABLISH A CENTRAL FILE FOR BONDED DEBT INFORMATION.

Agency Reply

Concur. The Commissioner of Higher Education will forward copies of all of our indentures to the Department of Administration to establish a central file.

RECOMMENDATION #2

WE RECOMMEND THE BOARD OF REGENTS OF HIGHER EDUCATION COMPLY WITH SECTION 20-25-402, MCA, OR SEEK CLARIFICATION FROM THE APPROPRIATE AUTHORITY TO DETERMINE WHETHER THE LAW INFRINGES UPON ITS CONSTITUTIONAL POWERS.

Agency Reply

Partially concur. The basic language of 20-25-401, MCA, was passed in 1963. The interest rate provisions are not absolute limits. Rather, they can be waived by the Department of Administration. In 1972 the adoption of a new state constitution conferred broadened authority on the Board of Regents. The basic language of 20-25-401 remained unchanged even though its post-1972 viability can seriously be questioned. The requirement that the Board of Regents submit bond issues to the Department of Administration for approval seems to contravene the pattern of university governance envisioned by the 1972 constitutional convention. This is a view shared by independent bond counsel to the underwriters of the recent university bond issues.

RECOMMENDATION #3

WE RECOMMEND THE BOARD OF REGENTS OF HIGHER EDUCATION, THE DEPARTMENT OF ADMINISTRATION, AND EASTERN MONTANA COLLEGE IMPLEMENT PROCEDURES WHICH ENSURE COMPLIANCE WITH THE SPECIFIC BOND INDENTURES.

Agency Reply

Concur.

